

**Budget Overview
Water and Sewer Funds
December 10, 2003**

Greensboro has invested a considerable amount of funds in its water and sewer utility in recent years. Since 1995, \$179 million in bond funds have been devoted to addressing a back log of capital needs demonstrated by compliance failures, insufficient capacity for current and future customers, and an accumulation of outdated or deteriorated facilities that constituted a considerable financial liability. While many of these issues have been addressed, the needs continue to grow with time.

The most recent utility bond issue was in July of 2003 in the amount of \$43.4 million. These bonds included funding for several major projects, including: the Haw River Project, the Reedy Fork Lift Station, the Gallimore Dairy Road Lift Station, and the start-up costs for the Water Resources Operations Center.

In order to address currently identified capital needs, it is estimated that Water Resources will require \$74 million not later than 2005 with an additional \$30 million needed by 2007 or 2008. These funds will be used to address projects including the North Buffalo Sanitary Sewer Outfall, Bledsoe Pump Station, the Cardinal Lift Station and other capital needs.

A series of rate increases will be required in order to fund this capital plan. Given the current rate structure, it is estimated that the Water and Sewer charges for the average customer increase from 9 to 15% annually through 2008.

One issue the Council may wish to consider is the structuring of rates. In 2000 the City moved to a base charge, or billing and availability fee, as opposed to minimum charges. If directed, future increases can place less increase on the commodity (volume) charge and more on the billing and availability charge. This would make revenue less subject to large variation from drought and wet years.